

E X P E R T Q & A

*Point solutions just won't cut it when it comes to data management, say Mercatus and State Street executives **Tim Buchner** and **Jennifer Tribush***



## Treating data the holistic way

“A lot of the lines – between public and private markets, from the front to the back office – are blurring or have disappeared,” says Tim Buchner, co-founder of Mercatus and COO of State Street Alpha for Private Markets.

That’s the primary dynamic that led State Street to acquire Mercatus, a deal announced in July. Now, State Street has launched its State Street Alpha<sup>SM</sup> for Private Markets offering, a platform allowing fund managers and institutional investors to manage all aspects of investment from a single unified platform.

Buchner and Jennifer Tribush, senior vice-president and global head of alternatives product at State Street, say their clients overarchingly need a holistic approach to data management; one that can view an organization’s data and

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exposure throughout the enterprise, across public and private assets, from the front to the back office.

*Private Funds CFO* spoke with Tribush and Buchner to learn more about Alpha for Private Markets and why ‘point solutions’ just won’t suffice for the next generation of fund managers.

**Q Mercatus and State Street have some of the largest private market fund managers as clients. What are common combined challenges you see across your client base?**

**Jennifer Tribush:** Clients that are in private markets are generally not just in one subsegment of private markets. We needed to make sure that our offering didn’t replicate the data challenges that our clients had multiple times across divisions and business functions – we needed a holistic solution, that could solve across all of them. When we did our due diligence with clients, a lot of managers reiterated getting a complete accounting view onto a platform is probably the most painstaking part of their data management strategy. It was critical that we had a data solution that leverages our 20 years of servicing expertise addressing key challenges our clients face combined with adding a more holistic view of the front and middle office, allowing us to satisfy a

much broader data challenge. We also heard a lot from clients about the increasing need to run valuations and scenarios at scale, something that Mercatus can provide. Fund managers can't only rely on historical data to make future decisions, they need the ability to forecast, and stress test their portfolios.

### **Q What synergies do you imagine by connecting front, middle and back office under one unified platform?**

**JT:** Getting an executive-level view of data from across the enterprise and providing timely investor reporting with a consistent look and feel are really important issues. You need to be able to collect and present data from pre-investment, through the investment lifecycle, all the way to end-accounting and official books and records. Deal managers want real-time access to back-office data to help them decide where to invest time and energy for future opportunities. Investor relations teams want to provide more real-time reporting to their LPs. ESG managers want better integration across the investment lifecycle. A unified data governance connects all those pieces, creating a flywheel effect that helps all functions focus on generating alpha and provides a differentiated client experience for their LPs.

That synergy will be all-important as private markets continue to grow. Our existing customer base is looking to expand and get exposure into private markets, and without a consolidated data management solution, they're not going to be able to increase that time to market that will be necessary to grow and keep a competitive edge.

From an LP perspective, they are concerned about the heft of key person dependencies when it comes to data. There's a lot of institutional knowledge that sits with someone supporting portfolio management with their Excel sheets, and if that person walks out the door, it is very problematic to re-engineer, or re-create, that knowledge. This issue is being more exacerbated by a

new normal of remote working. More and more investors are prioritizing ESG requirements, and for them to properly do that, they absolutely need to ensure data consistency. Creating a unified platform can help mitigate those risks.

### **Q What advice would you give a CFO embarking on a digital transformation across the entire investment lifecycle?**

**Tim Buchner:** The first thing I would say is: don't be complacent. So many CFOs in the industry today are really struggling making technology a key priority and getting clear outcomes that address their largest gaps in the data management process. It's difficult to get that clarity around what data process outcomes are going to make a difference for their company.

Very few are focusing on defining those outcomes and disruptions like the covid-19 pandemic can be perfect reasons to postpone needed investment on this front. The challenge that most CFOs face is whether to use these disruptions as excuses or use them as opportunities. Those organizations that are making investments now are really leapfrogging others.

There's also a need to think more holistically, to think about organizational outcomes rather than, say, front, middle or back office. Just wipe it away and think of your organization as one office – what is one solution that you need today?

People have to become much more data-centric and focused on where data can drive them over the next 12 to 24 months. On the tech side, they need to be really focused on data quality, flexibility and the speed-to-insight – not approaching issues in a problem-by-problem kind of way. CFOs should not be asking themselves, "How do I help the asset management team," or "How do I help the ESG team?" The reality is that if they don't think about a complete solution, they'll miss the fact that 70 percent of the ESG data they need is sitting within the asset management team.

The last thing I would say is from a people perspective; you have to think of this as a journey, not a race. You have to find the right people and the right partners who can be accountable for implementing a data strategy, who can be thinking about a platform in this holistic manner and really quiz these providers you're talking to and find out if there's really a 'there' there.

### **Q What are some areas where Alpha for Private Markets plans to innovate over the next three years?**

**JT:** A big part of our roadmap involves the fact that we're the only technology and services platform that can look through front, middle and back office, and also across public and private markets – we're also the only custodian with those capabilities.

In that context, we want to integrate our existing back-office capabilities onto State Street's Fund Insights platform, and once we've done that, our clients can really start to automate workflow that other providers just aren't able to perform for them.

We'll also be able to look at all those data sets from front, middle and back office, public and private markets, and synthesize insights from them in a way that will help clients differentiate what they bring to their investor pools.

**TB:** Automation really is the market buzzword these days. But it's important to remember that you need to focus on automating the right things, and not try to get ahead of where volume doesn't exist. It sounds unintuitive, but people need to start with a crawl when it comes to automation, then work on bringing it up to a walk, and then a run. Focus first on data entry and data normalization – it's going to be important for the next generation to be able to do those things at scale, regardless of whether their processes involve spreadsheets, PDFs or systems. If you talk to any manager, data entry, quality and normalization are among the top issues they face. ■